

VIII. COLLECTIONS AND ACCOUNTS RECEIVABLE

As used in this Manual, the term collection is the receipt and acceptance, on behalf of the State, of dollar amounts by an authorized representative of the State. Such sums include, but are not limited to, taxes, fines, fees, sales (including proceeds from the disposition of surplus property), rentals, admissions, tuitions, gifts, grants, donations or any other amounts for which the Secretary of Finance has accountability as determined by the Budget Director.

A. EXCEPTIONS TO GENERAL FUND COLLECTIONS

All receipts and monies of the state shall be credited in one General Fund. (29 Del. C. §6102)
The General Fund shall include all collections with the following exceptions:

1. Special Funds

The Special Fund contains the following funds and accounts:

- a. Accounts established by agencies for the collection of receipts for (29 Del. C. §6102 (b)):
 - Board
 - Tuition
 - Hospital Treatments
 - Sale of Farm Products;
- b. Revenue Refund Accounts (29 Del. C. §6533);
- c. Federal Aid Funds - which consist of accounts established to record the receipt and expenditure of grants received from the Federal government (29 Del. C. §2711);
- d. Capital Investment Fund (29 Del. C. §6201);
- e. Capital Improvement Projects Fund - which consists of all monies received from the sale of bonds and notes issued for the capital improvement program (29 Del. C. §7414);
- f. First State Improvement Fund (29 Del. C. §5050);
- g. Advanced Planning and Real Property Acquisition Fund (29 Del. C. §6343);
- h. Accounts established for minor capital improvements by local school districts (29 Del. C. §7528);
- i. Accounts established for the rental, repair and lease purchase of portable classrooms by the State Board of Education (29 Del. C. §6102 (d));

- j. Accounts established for the Business Enterprise Program, operated by the Division for the Visually Impaired within the Department of Health and Social Services
(29 Del. C. §6102 (l));
- k. Accounts established for the improvement of statewide, department and divisional indirect cost recoveries from programs financed in whole or in part with Federal funds
(29 Del. C. §6102 (k));
- l. Accounts established for the Division of Emergency Planning Radiological Program
(29 Del. C. §6102(i));
- m. Division of Corporations Corporate Revolving Fund (29 Del. C. §2311);
- n. Emergency Housing Fund (29 Del. C. §8628);
- o. State Lottery Fund (29 Del. C. §4815);
- p. Delaware Higher Education Loan Program Fund (29 Del. C. §6102 (e));
- q. University of Delaware Funds (29 Del. C. §6102 (b));
- r. Delaware State College Funds (29 Del. C. §6102 (b));
- s. Delaware Technical and Community College Funds (29 Del. C. §6102 (b));
- t. Delaware Child Support Enforcement Account (29 Del. C. §6102 (g));
- u. Delaware State Housing Authority Funds (29 Del. C. §6102 (h));
- v. Housing Development Fund (31 Del. C. §4067);
- w. Local School District Funds (29 Del. C. §6102 (j)); and
- x. Delaware Home Improvement Insurance Fund (31 Del. C. §4050).

2. School Internal Funds

These funds are generally collected in but do not belong to the school district and the disbursement is not at the discretion of the school authority. Internal Funds specifically include:

- Accommodation Account for Student and Employee Community Drives;
- Employee's Bond withholdings;
- Student Class and Club accounts to be expended only on authorization of the class or club; and

- State Bank Account for small sums to be paid to the State Treasurer at the end of each month.

Internal Funds shall be maintained in a safe depository. Accounts shall be maintained for all internal funds and all transactions are to be properly documented. Each school district shall promulgate procedures concerning the maintenance of accounts. All internal funds are subject to audit by the State Auditor.

3. School Cafeteria Funds

Since the operations of the cafeterias are not statutory requirements of the schools and since the General Assembly does not appropriate the full operational cost of cafeterias, these receipts could properly be considered as reimbursements to the extent there is no profit. School Cafeteria Funds shall be maintained as a Special Fund Account under the custody of the State Treasurer or as an agency account in a safe depository selected by the school district. The accounting procedures described above for Internal Funds shall apply to all cafeteria funds not maintained under the custody of the State Treasurer.

4. Cash Receipts of Bonds, Notes and Revenue Notes Sales

All money received from the sale of bonds, notes or revenue notes shall be deposited to the General Fund or designated special fund. Any money received as a premium or accrued interest shall be deposited in the General Fund. The remaining proceeds from the sale of bonds and notes shall be deposited in designated special funds. All proceeds from revenue notes shall be deposited in the General Fund. **(29 Del. C. §7414)**

5. Federal Grant Funds

All federal grant funds shall be payable to the State Treasurer, and credited to the special fund "Federal Aid Account". If the federal government requires the funds for a specific grant be segregated in a separate account, the State Treasurer may establish the account to meet all federal government requirements. **(29 Del. C. §2711)**

6. Reimbursement for Services, Equipment, Supplies and Material

a. General

All state agencies which supplies goods or services to any other state agency, department or to any other governmental agency, person corporation, partnership or business corporation on a reimbursement basis shall be reimbursed in amounts which shall not be less than the full cost of the rendered goods or services. Full cost includes all purchase or out-of-pocket costs as well as other employment costs plus overhead costs, computed in accordance with this manual and accepted governmental accounting principles. An exception is made after a written request by an agency, the Governor, or his designate, decides that reimbursement for the full cost is not in the best interests of the State, then reimbursement for the full cost of the goods or services provided shall not be required until June 30 of the next odd year. This exception does not apply to

specialized transportation authorities created pursuant to Chapter 17 of Title 2. **(29 Del. C. §6531)**

b. Sale of State-Owned Material

As a general policy, collections resulting from the sale of state-owned items of equipment, which sale is directly related to the acquisition of a like item, will be deposited into the General Fund and treated as an expenditure-reducing transaction for the particular department involved.

Exclusion is with the sale of vehicles and vehicle parts where collections go to Office of Fleet Management unless a non General Fund authorization requires proceeds of disposal to be returned to the original source of funds **(29 Del. C. §8813)**.

c. Inter-agency and Intra-agency Reimbursement

An intergovernmental voucher (IV) is used when the buyer and seller are state agencies. The IV is usually initiated by the selling agency. The IV permits transactions between agencies without the issuance of a check (via a PV) and the subsequent execution of a CR and bank deposit. There may be occasion where it is desirable to follow the PV-check-CR-bank deposit sequence. However, this can only occur with the prior approval of the Director, Division of Accounting.

The authorized signatures for the IV must be on file with the Division of Accounting. The following approval signature requirements are in effect for the processing of IV documents:

- (1) Where buying and selling agencies are the same, the approval signatures for buyer and seller may be the same, and is to be signed in the buying agency block.
- (2) Where buying and selling agencies are different, the approval signatures must be different, unless:
 - The buying and selling agencies are in the same department, and
 - The department/division head has notified the Director of the Division of Accounting that one employee has authority to sign intra/inter-divisional IV's, and under what circumstances.
- (3) For automated IV's other than postage, only the Buying Agency authorization is required for the document to process. The selling authorization is an automated print of the contact person's name within the Selling Agency.
- (4) For postage IV's, and any other IV's processed without Buying Agency data entry, only the Selling Agency contact persons name need be shown.

Billing should be made on a monthly basis utilizing one form for each agency from which goods or services are being provided. An exception will be made in the

month of June when billing may be on a weekly basis. This will facilitate a timely year-end close-out.

7. Credit Advances

If an agency advances credit to another agency, person, or corporation in the form of goods or services (Bulk Purchase of Paper Products, Gasoline, etc., Automobile Servicing; Utilities; Custodial Services), provided such expenditures are not for functions which are a responsibility of the advancing agency, the reimbursement of such advance will be deposited into the appropriation account from which it was expended by the advancing agency.

8. Refunds

Agencies periodically receive refunds from employees (unused portion of a travel advance, for example) or from vendors (resulting from overcharge, return of product, etc.). Such refunds will be processed as follows:

- a. If General Fund (APPR Type 01, 02, 03, 04) or State Special Fund (APPR Type 20 and 30), and the refund results from:
 - (1) Current fiscal year expenditure, the refund is credited to the appropriation from which it was expended.
 - (2) Prior fiscal year expenditure, the refund is treated as a revenue item. General Fund to APPR 0099; Special Fund to proper active appropriation.
- b. If Federal Grant (APPR Type 40) or Capital/Bond Fund (APPR Type 50), the refund is credited to the appropriation from which it was expended, regardless of whether the expenditure was current fiscal year or prior fiscal year.

Special Note:

The appropriation expenditure credit, referenced in Sections a.(1) and b. above, is processed through the expenditure reducing feature of DFMS. This feature is intended for use with refunds only. It is not to be used routinely as a method of processing the receipt of fees and/or reimbursements except when specifically identified and authorized by Delaware Code, Budget Act Epilogue, other legislation or this Policy Manual. If this limitation hampers or jeopardizes an agency's programs or operations, the agency should discuss the issue with its assigned Fiscal and Policy Analyst.

9. Insurance Recoveries

If equipment insured by an agency is damaged or destroyed and the insurance company makes payment therefore to the agency, such payment may be credited to the agency's appropriation account if the equipment is of a kind that would be replaced or repaired from such account if there were no insurance.

10. Use of Facilities

If a school makes a legal charge for the use of its buildings or facilities, the following provisions apply (**14 Del. C. §1056 (e)**):

- A school board shall permit the use of property under its jurisdiction free of charge, except for the expense of custodial salaries, heating and lighting in excess of the school's normal operations, whenever the purpose is educational, cultural, civic, political or recreational provided there is no monetary gain to the individual(s) or organization(s) using the property as a result of such use. It shall be deemed that there was no monetary gain if all charges or admissions in excess of the costs of such purpose are donated to a charitable purpose (as defined for State personal income tax purposes). The use of school equipment and school property for all other purposes shall be based upon a fee schedule to be determined by a school board, subject to the approval of the State Board of Education. All such fees collected by a school board shall be placed on deposit with the State Treasurer to be distributed as follows:
 - (1) That portion of the fee which is equal to the cost to the school district for providing such facilities shall be placed in a clearly designated special fund account to be used exclusively for the purpose of paying custodial salaries, heating and electrical costs; and
 - (2) That portion of the fee which is in excess of the cost to the school district for providing such facilities shall be deposited in a clearly designated special fund account to be used for the purpose of repair and maintenance of said rented facilities. Such funds need not be accounted for or expended in behalf of the specific facilities rented but shall be applicable to rental facilities as a class.

11. Charges for Reproduction of Public Documents

The Freedom of Information Act (**29 Del. C. §10003**) allows a reasonable fee (approved by the Budget Director) to be charged when reproducing public documents upon request of any citizen. This fee shall be credited to Agency Accounts as expenditure reducing for reproduction costs.

In order to reduce the need for agencies to prepare and submit "copy fee approval requests", a standard copy charge of 25¢ (25 cents) per copy has been established for statewide use.

If 25¢ per copy is not adequate recovery for an agency, then a "copy fee approval request" may be processed for the Budget Director's review. The request should include cost factors based on both the copy machine cost and the operator cost as follows:

- Copy machine cost is the lessor's charge for one unit of copy. State-owned copy machine cost is the cost of supplies, plus an allocation of equipment cost for a period divided by the average number of reproductions during a like period.

- ## B. SAFEGUARDING AND REPORTING OF CASH COLLECTIONS

"Pay to the Order of the Treasurer,
State of Delaware
Payee "

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3. Tax Receipts

The Division of Revenue has a system independent of DFMS which controls the detailed accounting of the tax revenue collected by the Division. Tax period and taxpayer specific information is captured from the check and the remittance document (i.e. tax return forms) by the Division of Revenue and entered into its system. A CR form is prepared daily summarizing the cash receipts by appropriation and revenue code and processed through DFMS.

4. Electronic Approvals

DFMS requires three levels of electronic approval for cash receipts (CR). The documents will not be processed without the required approvals entered into DFMS. Levels 1 and 2 are within the agency. However, for electronic approvals for taxes collected by the Division of Revenue, Level 1 is the Division of Revenue and Level 2 is the State Treasurer.

The agency is to notify Division of Accounting in writing detailing those with electronic approval authority. An individual in the agency may have both level 1 and level 2 approval authority. The State Treasurer, after reviewing and verifying the hard copy documentation will enter the level 3 approval.

Though the electronic approvals are required to process transactions, the approvals on the hard copy documentation (handwritten or facsimile) are the authorizing signatures for the transaction.

5. Reporting of Collections

A report of cash receipts (CR) will be submitted for each day's deposits by all agencies and schools whose employees are authorized to accept remittances on behalf of the State Treasurer. **(29 Del. C. §6103)** Reports will be made for cash deposits, electronically transferred (wire/ACH) monies, credit card deposits, Lockbox deposits, as well as adjustments for returned checks and deposit corrections.

A cash receipt(s) should be prepared for all deposit tickets with the same bank encoded date. The encoded date of deposit should be entered as the CR transaction date (in the CR header).

The cash receipt document must reflect in the "Comments" field, the specific agency/school organization number which is preprinted on the bottom left hand corner of the deposit ticket. All deposit tickets that are attached to the CR must have identical organization codes. Enter the code exactly as it appears on the deposit slip starting with first digit of the "Comments" field. Do not enter the leading zeros.

Separate CR's must be prepared for the following transactions. Each transaction should reflect the proper coding for the "Comments" field.

- 99 - Authorized Credit Cards accepted by the State Treasurer's Office.
- 98 - Deposit Credit Correction
- 97 - Deposit Debit Correction
- 96 - Wire Transfer
- 95 - Automatic Clearing House (ACH) Transfers
- 94 - Lockbox for Division of Corporations
- 93 - Lockbox for Division of Revenue
- 92 - Returned Checks
- 91 - Lockbox for Insurance Commissioner
- 90 - Interest Income, New Castle Co. Taxes
- 0 - Zero Balance

Cash receipts must be accompanied by supporting documentation including: a validated bank deposit ticket, credit card receipt, wired funds request, or bank correction which total to the reported amount. All cash receipt reports submitted will be properly coded, data entered and signed by an authorized official.

The processing deadline for cash receipts is 3:00 p.m. each business day. Cash receipts, excluding wire transfers, received after 3:00 p.m. will be processed the next business day. Not more than fifty (50) deposit tickets may be included with a single cash receipt.

In general, agencies shall strictly adhere to Cash Receipt Procedures promulgated by the Office of the State Treasurer.

Any documentation accompanying a cash receipt must be submitted in accordance with microfilming requirements instituted by the Office of State Treasurer.

6. Cash Management Policy Board

The Cash Management Policy Board (Board) is established (**29 Del. C. §2716**) to determine policies for the investment of all money belonging to the State, except money deposited in any state pension fund or State Deferred Compensation Program, and to determine the terms, conditions and other matters relating to those investments including the designation of permissible investments.

In order to protect these investments, the Board shall (unless the Board finds it not in the State's best interest):

- Require as a condition to any deposit of state money in any state or national bank or savings and loan institution that such deposits be continuously and fully secured by direct general obligations of the United States of America, other obligations unconditionally guaranteed (principal and interest) by the United States of America or other suitable obligations determined by the Board;

- Require that the selection of financial institutions to provide banking and investment services involving the funds for which the Board is responsible be conducted on an open and competitive basis; and
- Require that temporary clearing accounts as well as major disbursement accounts be established in a bank or banks whose principal office is located within the State.
- Establish a policy with respect to the creation of all checking accounts by the State and the State Treasurer shall enforce that policy.

The State Treasurer shall implement the policies established by the Board by investing the money belonging to the State, except as noted above, in accordance with those policies.

Agencies shall report to the State Treasurer projections of receipts and expenditures so the State Treasurer may provide the Board with accurate cash flow forecasts.

C. DOCUMENTATION

Each agency shall keep a detailed ledger of all receipts under such appropriate headings, classifications and arrangements as prescribed by the Budget Director (i.e., budget unit, appropriation and revenue code). All invoices, bills, statements, letters, vouchers and other documents pertaining to these receipts shall be preserved and systematically filed by each agency (**29 Del. C. §6504**).

The Secretary of Finance shall keep a ledger, under appropriate headings, of all receipts of state funds and obligations and debts due to the State. For this purpose, the Secretary shall have access to the books and papers of any agency receiving any state funds. (**29 Del. C. §6523**)

D. ACCOUNTS RECEIVABLE

1. Definitions

Accounts receivable represent the amounts billed or billable to patients, clients, or taxpayers; they arise when the state provides goods and services to others or establishes a due date for various fees or taxes.

Allowance for doubtful accounts is an estimate of the amount of receivables that you believe will not be collected in the near future.

2. Determining the Allowance for Doubtful Accounts

- a. Percentage of Outstanding Receivables - based upon an agency's overall experience with uncollectible accounts over a period of time. This determined percentage is applied to the Gross Accounts Receivable to arrive at a net amount that is realistically expected to be collected in the near future, again based upon the agency's experience. Example - an agency reviews its collections history for several years and determines, based upon that review, that they will not collect 15% of the recorded receivables. This percentage would then be applied to the current period's receivables to arrive at the amount of the allowance for doubtful accounts.

- b. Aging of receivables - this is a more refined method of the percentage method. Gross accounts receivable are classified by age intervals. A different percentage is applied to each group - again based upon the agency's collections history. Example - the receivables are classified as follows based on age of the account:

	Total	Days Outstanding				
		0-30	31-60	61-90	91-120	Over 120
Accounts Receivable	\$16,500	\$9,000	\$3,000	\$2,000	\$1,500	\$1,000
Estimated % uncollectable	x2%	x6%	x20%	x35%	x50%	
Estimated Allowance for Doubtful Accounts	\$1,785	\$180	\$180	\$400	\$525	\$500

Document the procedure used to determine the amount of doubtful accounts. Your supporting documentation should include a description of your agency's collection policy and procedures. (See number 3 below) The procedure used to determine the amount of doubtful accounts should be reviewed periodically to determine whether the revisions are necessary due to changing conditions. Please be aware that the allowance for doubtful accounts is not a write-off of accounts receivable. It is a method of establishing a realistic net amount that is expected to be collected in the near future.

3. Collections

Each agency having accounts receivable must develop and implement procedures for a positive collection effort and make every reasonable effort to collect all such receivables. Each agency shall coordinate with the Department of Finance and shall consult with the Attorney General in developing such procedures and shall cooperate with the Attorney General in effecting collection. Agencies should use the remedies provided by the legal system as appropriate. The procedures shall provide for effective evaluation of the adequacy of the agency's collection efforts.

Each agency shall report its procedures and any amendments thereto in writing to the Secretary of Finance by June 30 annually.

An agency may enter into a contract with a professional collection service only after obtaining the prior written approvals of the Secretary of Finance and Attorney General with regard to the specific contract into which the agency wishes to enter.

All agencies collecting accounts receivables should solicit the assistance of other agencies having a collection staff and these agencies should make every effort to provide assistance.

4. Reporting

The annual accounts receivable report shall be submitted as part of the GAAP reporting package submitted to the Secretary of Finance in the format prescribed.

5. Segregation of Uncollectable Accounts (Write-off)

The removal of an account or partial account balance from the agency's active accounts receivable file and its placement in the inactive permanent file does not forgive the debt. The account or partial account balance remains subject to collection in the event that the agency subsequently determines that circumstances have changed so that the account has become collectible.

In order to remove an account from the agency's active accounts receivable, the agency must obtain the written approval of the Secretary of Finance. To obtain such approval, the agency shall make available to the Secretary of Finance:

- Documentation of its own collection efforts;
- Documentation of the collection efforts, if any, by the Attorney General; and
- Certification by the Attorney General or his deputy that, in light of the potential recovery and costs of collection, further collection efforts are unwarranted. If the agency's collection plan has been accepted by the Attorney General, certification by the agency that it has followed the plan may be substituted for the certification declaring further collection efforts are unwarranted.

Accounts so approved by the Secretary of Finance are to be removed from the agency's active accounts receivable file and placed in an inactive permanent file.

6. Waiver of Accounts Receivable Compliance

An agency may request a full or partial waiver from the requirements of Sections D. 1., 2. and 3. above if the agency satisfies outside requirements which are more stringent than the state's. Such a request is to be made in writing, to and for the approval of the Secretary of Finance, presenting justification for the waiver.

E. RESTITUTION PROCESSING

When state employees and private citizens are charged with theft, embezzlement or fraud in the handling or receipt of state funds or other property and are found guilty, either by a court or through other settlement process, the individual(s) involved may be required to make restitution to the state.

Due to the wide array of variable criteria that can apply to each case, it is difficult to establish a comprehensive guideline or procedure in advance, which prescribes proper handling of restitution. As a result, the Budget Director and Secretary of Finance must be informed of the details of any incident of theft, embezzlement or fraudulent receipt of state funds or property. Such notification should occur at a time in the investigation/resolution process schedule which enables the Budget and Finance offices to participate with any or all of the following parties:

- Office of Auditor of Accounts,
- Affected State Agency,

- Attorney(s) representing the state or charged employee/private citizen,
- The Court, in the development of acceptable settlement provisions which will include restitution wherever possible.